AFR Americans for Financial Reform

AFR Update – Summer 2016

“Take on Wall Street” takes off

The Take on Wall Street (TOWS) campaign was conceived as an effort to put a set of ambitious economic policy ideas on the table, while shining a light on the egregious bad practices of some of the worst Wall Street offenders. Since its launch this spring, the campaign has begun to deliver on both promises.

A major success came in early July, when the Democratic Party adopted a platform that has been described as strikingly progressive and aggressive on Wall Street reform. It met that mark by incorporating two key TOWS proposals: closing of the “carried interest” loophole that allows hedge fund and private equity fund managers to pay lower tax rates than average workers; and a public option for banking through the U.S. Post Office. The platform also includes general language that indicates support for two more of our campaign’s goals: a financial transaction tax and restoration of the Glass-Steagall firewall between consumer banking and casino-style investment banking. The Republican Party platform has a Glass-Steagall plank as well.

Seizing on the opportunity, more than a dozen Take on Wall Street partners organized a petition urging Congressional leaders to stand by their parties' platforms and pass the "21st Century Glass Steagall" legislation championed by both Elizabeth Warren and John McCain.

Meanwhile, Take on Wall Street supporters took to the streets with striking casino workers from the Trump Taj Mahal casino. The workers, members of UNITE HERE Local 54, were on strike over health-care benefits that had been slashed when billionaire investor Carl Icahn brought the the casino out of bankruptcy. Following a boisterous rally outside Icahn's headquarters in Midtown Manhattan, protesters marched to Trump Tower. Icahn, reputedly one of the models for the character of Gordon Gekko in Oliver Stone's "Wall Street," has been mentioned as a potential Treasury Secretary in a Donald Trump administration. He has since said he will close the casino, costing thousands of low-wage workers their livelihoods, rather than provide benefits comparable to those of other Atlantic City establishments.

Congress may have been in recess in August, but that didn’t mean a break for Take on Wall Street campaigners. Community partners in a dozen states organized in-district meetings with scores of lawmakers, seeking to boost support for action on carried interest. With both presidential candidates publicly in favor of such a move, we're urging members of Congress to get on board and make the issue a priority in 2017.

Curbing reckless Wall Street bonus practices

Bonus-pay practices on Wall Street can create a “Take the money and run” dynamic that leads to irresponsible risk-taking and serious threats to investors and the public. The Financial Crisis Inquiry Commission pointed to such pay practices as a major contributor to the 2008-09 disaster. Top executives at Bear Stearns and Lehman Brothers, research shows, took home some $2.5 billion in bonus pay before those firms failed – and didn’t have to pay any of it back.

The Dodd-Frank Act specifically directed regulators to prohibit bank bonus practices that encourage excessive risk taking. Unfortunately, the effective implementation of this crucial new rule has been long delayed. After a weak and inadequate proposal in 2011, followed by years of pressure from AFR and our members and allies, regulators recently re-proposed their bonus pay rule in a somewhat stronger form. In a comment letter, AFR noted the ways in which the new rule improves on the old proposal, while pointing to a number of remaining weaknesses that regulators need to address. The Wells Fargo scandal (discussed below) is drawing fresh attention to the destructive consequences of pay packages that allow executives to profit from reckless and even fraudulent corporate behavior. We will continue to work with groups inside and outside our coalition to push for a stronger final rule that will more effectively limit bonuses that drive and reward dangerous practices.

Time for a crackdown on bank sales quotas

Before Wells Fargo propelled this issue into the spotlight, AFR was working with the Committee for Better Banks and the National Employment Law Project (NELP) to call attention to the problematic role of sales quotas for frontline bank workers.

Wells Fargo’s practices may have been unusually egregious – we can certainly hope so. Despite tighter regulations adopted in response to the financial crisis, however, many banks have continued to use “aggressive sales metrics and incentive programs to encourage front-line workers” to “push” questionable products “on often unwitting customers,” according to a recent report issued by NELP. People “can spend years paying for products they didn’t really need,” the report added.

In June, the two groups briefed lawmakers and bank regulators on the issue. In July, the Consumer Financial Protection Bureau (CFPB) announced an enforcement action against Santander bank for misleading customers into purchasing expensive credit card add-on products like overdraft protection. Unrealistic sales quotas, the CFPB found, had incentivized Santander’s telemarketers to cut corners. The enforcement action – we believe for the first time – specifically required the bank to suspend the use of quotas in connection with sales of credit card add-on products.

Then, in the first week of September, came the announcement of the Wells action by the CFPB, the Office of Comptroller of the Currency (OCC), and officials of Los Angeles City and County. Here, quotas and company pressure had led bank workers to create more than 2 million fake deposit or credit card accounts, paying for them with money transferred out of other accounts without the knowledge or permission of the customers involved. The consent order in the action requires Wells to return that money in addition to paying $185 million in punitive fines.

"Today's action," CFPB Director Richard Cordray said, "should serve notice to the entire industry that financial incentive programs, if not monitored carefully, carry serious risks that can have serious legal consequences."

A week later came the additionally stunning news that the Wells Fargo executive in charge of the unit responsible for this scam was poised to retire with nearly $125 million in compensation. That revelation underscored the need for greater accountability at the executive level in general, as well as the importance of stronger rules on pay clawbacks, so that executives do not walk away with bonuses for abusing customers – and shareholders.

For more on the Wells Fargo case and AFR's response, see How to Make Sure Bad Bankers are Held Accountable (American Banker), Why Wells Fargo Got Away With It for So Long (The Hill), Wells Fargo Execs Should Not Be Allowed to Profit from the Company's Misdeeds (RealBankReform), and What should be done to stop banks like Wells Fargo from scamming us? (Medium.com).

More than 100,000 consumers support CFPB rule against "ripoff clauses"

Since the CFPB released a proposed rule this spring, momentum has continued to build in the campaign to end the financial industry's use of forced arbitration clauses with class-action bans. In August, as the official comment period came to a close, AFR and Public Citizen worked together to coordinate a major show of support. Letters and statements in favor of action came from more than 100,000 individual consumers, 38 U.S. Senators, 65 House members, 18 state attorneys general, legislators in 14 states, and a coalition representing 5.5 million servicemembers and their families. There was also a joint letter signed by 181 consumer, civil rights, labor, and community groups. More than thirty organizations submitted their own letters.

This outpouring reinforces the findings of a recent national poll, which found that voters of both parties, by a margin of 3 to 1, support restoring consumers' right to bring class action lawsuits against banks and lenders.

Industry lobbyists have been fighting the CFPB's proposal every step of the way, however, and will almost certainly mount a court challenge before the rule can take effect, in addition to making further legislative efforts to block it.

While the Bureau's current proposal would not ban forced arbitration entirely, it would restore consumers' right to band together and use the public courts to challenge illegal practices of banks and lenders. It would also add transparency to individual arbitration proceedings by establishing a public record of claims and outcomes. Our campaign will go on working to raise awareness and broaden support for this crucial effort to protect consumer rights and hold financial companies accountable.

Payday lending – the CFPB proposes a rule to fight abuses

When "lenders can succeed by setting up borrowers to fail, something needs to change." Those were the words of CFPB Director Richard Cordray, speaking at a June 2nd hearing in Kansas City as the Consumer Bureau released its long-awaited proposal to combat the abusive practices of payday and car-title lenders. StoptheDebtTrap campaign partners turned out in force for the announcement. Outside the hearing room, local lawmakers and grassroots leaders led hundreds of people in chants and prayers. Inside, advocates, social service providers, and faith and civil rights leaders got a chance to testify about the awful damage they have seen these loans do. A series of borrowers told personal stories that drove the message home.

The voices of consumers and consumer advocates loomed large in the extensive media coverage, which included print stories in the Kansas City Star, USA Today, and the National Catholic Reporter, and radio and TV pieces on NPR, Fox 4, and KMBC, among other outlets.

Editorials calling for a strong rule appeared in the New York Times, Baltimore Sun, LA Times, and the St. Louis Post-Dispatch. Across the country, state and local groups participated in a day of action that got media attention in Alabama, California, Florida, Indiana, Iowa, Michigan, Montana, Nebraska, Nevada, Ohio, Pennsylvania, South Dakota, Tennessee, Texas, Virginia, and Wisconsin.

Mobilizing for the next stage of the payday struggle

The StoptheDebtTrap campaign has been in high gear this summer, building support for the strong points of the CFPB's proposal while making a forceful case for improvements.

The draft rule is built around an ability-to-repay standard, as we have long urged. But the proposal would still allow many loans to be made without serious underwriting, and we are dealing with lenders known for taking advantage of any possible wiggle room. (That point was driven home in August, when Vice magazine obtained transcripts of an industry gathering in the Bahamas. Besides coaching sessions on pressure tactics for influencing the CFPB, the agenda included "a master class in how to exploit and manipulate regulatory loopholes.")

Since the proposal's release, hundreds of groups have had members out gathering comments or borrower stories at community centers, film screenings, street festivals, church events, job fairs, and town hall meetings. Major civil rights groups have been deeply involved. The NAACP passed a strong payday lending resolution at its annual convention in Cincinnati, and both the National Council of La Raza and the League of United Latin American Citizens set aside time at their annual conferences to educate members and generate comments in favor of the rule.

At the end of June, payday advocates from every part of the country came to Washington for a two-day summit, which included a press conference where Representative Maxine Waters (D-Calif.) released a report on the payday industry's record of evading state regulations. Afterward, a group of 80 faith leaders and advocates paid personal visits to 78 congressional offices.

On Capitol Hill, a key goal has been to get more members of Congress to support a strong CFPB rule. AFR and our StoptheDebtTrap partners made a special effort to sway a group of House Democrats who had been working alongside the payday industry to block or weaken the rule. That effort scored two big successes in Florida when Representatives Debbie Wasserman-Schultz and Patrick Murphy (who is running for the U.S. Senate) spoke up for the bureau's proposal. Both had been part of a bipartisan group of lawmakers touting a loose and ineffectual Florida law as a model for the nation. But after having signed on as co-sponsors of a House bill to delay action by the CFPB, the two Floridians later shifted ground. Wasserman-Schultz, who had faced criticism from groups fighting payday lending in Florida and around the country, and had been targeted by TV ads labelling her "Debt-trap Debbie," ultimately declared herself "a strong supporter and partner" of the CFPB in "its efforts to protect Americans from predatory lending."

The CFPB's comment period ends on October 7. So far, more than 250,000 people have commented online, including advocates, faith leaders, elected officials, veterans, seniors, and single parents struggling to make ends meet, and additional people around the country have signed "snail mail" cards or written letters. Our work to make sure borrower and community voices are heard will continue through the end of the comment period and beyond.

Google "puts payday lenders on the defensive"

That was how USA Today described the effect of Google's decision to stop running search ads for payday and car-title loans. Google's announcement, which followed a similar move by Facebook last year, was the upshot of months of discussions with consumer and civil rights groups, including AFR, the Center for Responsible Lending, Common Sense Kids Action, The Leadership Conference on Civil and Human Rights, NAACP, National Council of La Raza, National Hispanic Media Coalition, OpenMIC, ColorofChange.org, Georgetown's Center on Privacy & Technology, and Upturn.

Under Google's old practices, someone who typed in a statement like "I need money for food" or "I need money for rent" would be routed to predatory lenders or so-called lead generators collecting information on their behalf. AFR praised Google for shutting down "an important avenue of customer recruitment for an industry that is doing more and more of its business online." We will be pressing Microsoft, Yahoo, and other companies to follow Google's example, adding their weight to the fight against debt-trap lending.

Defending retirement savings against Wall Street pillage

In early April, the Department of Labor (DoL) finalized its long-awaited fiduciary rule against conflicts of interest in retirement investment advice. Set to take full effect in January 2018, the new rule will require Wall Street brokers and others who call themselves retirement investment "advisers" to act in their clients' best interests. American workers and retirees miss out on an estimated $17 billion a year as a result of advice that fails to meet that standard.

Of course, no one expected Wall Street to give up so much money quietly. Having failed to intimidate the DoL, opponents of the rule appealed to their friends on Capitol Hill to invoke the Congressional Review Act (CRA), a 20-year-old law that gives Congress the power to reject regulations before they take effect.

In past fights over the retirement-advice issue, industry forces were able to attract significant bipartisan backing. This time, we were able to hold the line thanks to the strong case made by the Department of Labor and the Administration, and to the persistent advocacy of the Save Our Retirement coalition, including the growing number of financial planners who actively support the DoL rule. The House passed a CRA resolution in a straight party-line vote, while just three Democrats joined Republicans in voting against the rule in the Senate.

These outcomes made it clear that financial industry forces had nowhere near the strength needed to override the presidential veto that came on June 8. In a joint letter, AFR and 48 organizations thanked all the lawmakers who had voted against the resolution and urged them to stand fast. They did. In another party-line vote, the override effort failed by 239-180.

Industry and congressional opponents have continued to attack the fiduciary rule, however. In July, the House Appropriations Committee approved a budget bill that would bar the DoL from implementing the rule. And in early September, the Financial Services Committee marked up the Financial CHOICE Act (more fully discussed later in this report). This legislation, besides canceling most of the Dodd-Frank Act, would repeal the fiduciary rule and make it virtually impossible for either the DoL or the Securities and Exchange Commission to take any further action in this area.

Meanwhile, the fight continues in the courts. Seeking to block the rule, industry groups have filed federal lawsuits in Texas, Kansas, and the District of Columbia. Americans for Financial Reform joined amicus briefs, led by Better Markets and the Consumer Federation of America, in defense of the rule. These public interest briefs take the position that the lawsuits have no merit. The Employee Retirement Income Security Act (ERISA) gives the DoL clear authority to define what constitutes fiduciary investment advice, and the power to set the conditions for any regulatory exemptions. The DoL produced a balanced rule, which strengthens protections for retirement savers while preserving the ability of firms to operate under a variety of business models. Since the issuance of the final rule, as the briefs also point out, a number of companies have expressed their willingness to abide by it, and their confidence that they can succeed by doing so.

Key agencies promise changes in sales of distressed mortgages

AFR and members of our coalition have long pressed for significant changes in the way federal agencies handle the sales of distressed mortgages. Far too many properties have been auctioned off in bulk to Wall Street speculators, without adequate protections for homeowners or communities. This spring, after grassroots organizations stepped up the pressure, the Federal Housing Finance Administration (FHFA) and the Federal Housing Administration (FHA) separately announced plans to reform their mortgage sale programs in some of the ways we have urged. Each agency agreed to increase the use of principal reduction, to require buyers to agree not to “walk away” from vacant houses, and to make it easier for mission-driven nonprofits and local governments to purchase properties.

The changes the two agencies are making should lead to better outcomes for borrowers and neighborhoods. But, as AFR went on to say, “We will be watching to make sure that these policy adjustments are implemented effectively and have the desired impact, and we will continue to urge further needed improvements.”

Streamlining debt cancellation for scammed students

Working with lawmakers, law enforcement officials, and defrauded students, members of the AFR coalition have been pressing the Department of Education (DOE) to do more to relieve the staggering debt of former students at lawbreaking schools like those run by the now-defunct Corinthian Colleges chain.

In June, the Department released a proposal outlining new ways for students to pursue a "borrower defense to repayment," or, in plain language, a cancellation of their student-loan debts. The draft rule contained several praiseworthy provisions, including one that would protect students against arbitration clauses that force students to give up their right to sue the moment they enroll. In a comment letter, we urged the Department to strengthen its proposal so that it clearly covers all non-federal borrowers. Under the terms of the draft rule, students who pay tuition out-of-pocket or rely on scholarships or grant programs such as the GI bill could still be subject to unfair forced-arbitration clauses.

Other parts of the proposal need improving as well. For example, the Department does not assume that defrauded students will receive full relief. They should. Students who have borne the damage of the deceptive and fraudulent practices of these schools can never get back the time they invested. Moreover, the specific offenses for which the schools have been called to account are in many cases only a subset of the illegal acts that may have been committed. Our letter asks the Department to make sure that all these students are entitled to full discharge of their debts, abandoning the idea of a separate review process that would allow DOE officials to decide that only partial relief is warranted in some cases. We are also asking the Department to guarantee that the new federal standard for borrower defense will not narrow students' ability to pursue relief, especially in states with strong consumer protection laws that may also have been violated.

Stripped of federal subsidies, ITT closes down

On August 25, the Department of Education took an important step in defense of students and taxpayers by prohibiting the for-profit college ITT Educational Services (ITT) from enrolling new students with federal financial aid. Just a week and a half later, the company announced it would be shutting down – a tacit admission that its business model had been entirely dependent on government support.

Like the now-defunct Corinthian College chain, ITT had been sued and investigated by a long list of regulatory and law enforcement agencies, including the Securities and Exchange Commission (for fraud), the Consumer Financial Protection Bureau (for predatory lending), and the attorneys general of 13 states (for lying to students).

AFR will be urging the Department of Education to alert former ITT students about their right to have their federal loans cancelled. Given the company's sordid history, we also be pressing the Department to vigorously investigate ITT's past misconduct, and to release its findings publicly.

"Payback Playbook"

At least 11 million student-loan borrowers are either behind on their monthly payments or in outright default. Many could benefit from an option they may not know about: income-driven repayment. This can be a way for borrowers, during periods of financial stress, to reduce their payments to no more than 10 to 15 percent of earnings, or, in the case of some low-income borrowers, to zero.

To bring this information to wider notice, the CFPB, the Department of Education, and the Treasury Department plan to send out a one-page "Payback Playbook" with student loan bills. The Playbook compares the amount a borrower is currently paying with what it would be under other repayment plans, including income-driven repayment.

In June, AFR and 71 organizations wrote to the three agencies to praise their proposal and suggest improvements. Our recommendations included tailoring the Playbook's language to borrowers at imminent risk of default (since default can make them ineligible for income-driven repayment) and ensuring that borrowers with *all* types of federal student loans receive a relevant version of the document.

Pressing the SEC to investigate toxic swaps deals

Chicago, Baltimore, Los Angeles, Detroit, and Jefferson County, Alabama, have something awful in common. In all these jurisdictions, among others, public agencies were sweet-talked into swaps deals that turned out to be very good for Wall Street and very bad for local budgets and services.

The results included school closings in Chicago, water shutoffs in Baltimore, devastating environmental and health problems in Los Angeles, and municipal bankruptcy in Detroit and Jefferson County. The State of Illinois has already paid more than $684 million to Wall Street banks, and could be on the hook for another $870 million if action is not taken soon.

In July, Americans for Financial Reform joined local leaders from Chicago, the ReFund America Project and organizations across the country – including the Grassroots Collaborative, CREDO Action, Rootstrikers, and the Center for Popular Democracy – in delivering petitions in which nearly 88,000 Americans asked the Securities and Exchange Commission (SEC) to investigate.

The SEC has the power to order Wall Street to give back any ill-gotten gains, and banks appear to have misrepresented or concealed the risk of many of these transactions. Chicago and other Illinois cities need to "stop robbing Sesame Street to pay Wall Street," State Representative Chris Welch declared at a rally with workers and local leaders outside the SEC's Chicago Regional Office, where the petitions were submitted.

The rally and petition delivery led to a September 9th meeting, which gave a group of Chicago officials and community leaders a chance to make their case to SEC Regional Director David Glockner. We will keep working together to demand investigations and accountability.

Taxing Wall Street trades

On July 13, Representative Michael DeFazio (D-Ore.) reintroduced his proposal for a Wall Street transaction tax. The idea gained fresh attention and support during the Democratic primary contest, when Senator Bernie (I-Vt.) made such a tax the funding mechanism for his free-college plan. In July, the Democratic Party adopted a platform plank calling for a tax to "curb excessive speculation and high-frequency trading." While the wording left some doubt about the exact nature and scope of the tax being proposed, its inclusion in a major-party platform was something to celebrate – and build on.

Now the Congressional Joint Committee on Taxation has supplied a revenue estimate for the DeFazio proposal. His "Putting Main Street FIRST Act calls for a .03 tax on a range of transactions. The joint committee says it would raise $417.4 billion over 10 years.

AFR Executive Director Lisa Donner joined DeFazio at a Capitol Hill press conference to announce his plan. Other speakers included Christopher Shelton of the Communication Workers of America, Lisa Gilbert of Public Citizen, and Damon Silvers of the AFL-CIO – three of AFR's more than 40 partners in the Take on Wall Street campaign, which has made a transaction tax one of its core proposals.

More light on shadow banking

So-called "shadow banks" – major financial institutions that are not regulated as banks but can pose many of the same risks – were a significant driver of the 2008 financial crisis and remain a major presence in today's financial markets. Nevertheless, oversight of "shadow banks" has lagged behind since the crisis.

In July, AFR teamed up with the Center for American Progress to hold a symposium on shadow banking, its role in the economy, its risks, and how to better address them. The event featured a keynote speech by Federal Reserve Governor Daniel Tarullo, a conversation with Senator Sherrod Brown, ranking member of the Senate Banking Committee, and a panel discussion with experts on insurance companies, investment funds, and other areas of non-bank finance.

Speakers highlighted the dangers of risky financial products sold by insurance companies, of continued instability and lack of oversight in short-term funding markets, and of inadequately regulated securities markets and investment funds, among other sources of concern that lie outside the formal banking system. These ongoing risks should be an important area of emphasis for the next Administration – both in order to ensure financial stability and to protect investors and the public.

Doing right by borrowers with limited English proficiency

In May, Americans for Financial Reform and its coalition partners issued a white paper urging regulators to make it easier for people with limited English proficiency (LEP) to understand and navigate the financial system, especially the mortgage market. A companion paper recounted the stories of LEP homeowners who belatedly discovered unfavorable mortgage terms or had great difficulty securing loan modifications.

Publicized in nine languages, the two papers generated news coverage in a number of non-English as well as industry publications. (The organizations that collaborated on the papers include National Consumer Law Center, National CAPACD, National Council of La Raza, Empire Justice Center, National Housing Resource Center, Consumer Action, National Fair Housing Alliance, and MFY Legal Services, Inc.)

More than 25 million U.S. residents – about 9 percent of the population – have a limited command of English, making them particularly vulnerable to fraud and predatory practices. Federal regulators, including the Consumer Financial Protection Bureau, have the power to ameliorate these problems, and we are urging them to do so. The steps we are calling for include requiring key documents to be made available in at least eight languages (Spanish, Chinese, Vietnamese, Korean, Tagalog, Russian, Arabic, and Haitian Creole), and improving language access to federal complaint and counseling services.

A related effort to give homebuyers a language-preference option on the standard mortgage loan application suffered a setback in June, when the Federal Housing Finance Administration (FHFA) decided against including such a question in a new version of the form. But the agency says the idea is still under consideration.

Robo-calls on behalf of Uncle Sam?

The Telephone Consumer Protection Act (TCPA) is a 25-year-old law that prohibits robocalls and text messages to cell phones without someone's consent. On July 5, the FCC decided that contractors acting as agents of the federal government do not have to comply.

This dangerous ruling could subject tens of millions of Americans to a flood of unwanted – and unstoppable – calls and text messages. Federal contractors could call place robocalls, with or without consumer consent, to collect on any kind of government debt, from overdue taxes to mortgages and federal student loans.

Americans for Financial Reform joined the National Consumer Law Center (acting on behalf of its low-income clients) and 50 other organizations in a petition urging the FCC to reverse its ruling. A similar request was made by Senator Ed Markey and nine Senate colleagues.

The move came as a surprise to consumer advocates. Earlier this year, the FCC had put out a proposal to implement a budget-bill provision allowing federal debt collectors to robocall cell phones; that initial proposal, however, restricted the number of robocalls to three per month.

AFR and members of our coalition will continue to press the FCC to reconsider and reaffirm the right of consumers to control their own phones and block unwanted robocalls.

Countering the latest Congressional threats

Since the Dodd-Frank Act was signed into law six years ago, the House of Representatives has taken up a seemingly endless series of proposals to dilute, delay, or undo that law's reforms.

This year, House Financial Services Committee Chairman Jeb Hensarling packed a number of past ideas as well as new ones into a 500-page piece of legislation that he touts as a Republican plan to "repeal and replace" Dodd-Frank. His "Financial CHOICE Act," AFR Policy Director Marcus Stanley pointed out in a June 27 op ed, would have a devastating effect on the ability of regulators either to protect consumers and investors against exploitation, or to safeguard the economy against financial-industry recklessness.

On June 7, our Take on Wall Street campaign partners held a protest rally outside the Penn Club of New York City, where Hensarling unveiled his plan. The rally – spearheaded by the Communications Workers of America, Greater NYC for Change, New York Communities for Change, the Strong for All Coalition, VOCAL-NY, and the Working Families Party – was part of a wider effort to challenge Hensarling's characterization of his proposal as one that would demand "greater accountability from both Washington and Wall Street." His plan generated a good deal of media coverage, but almost all the stories accurately portrayed it as a massive piece of financial deregulation. Representative Maxine Waters, the Ranking Member of the Committee, was one of a number of public officials who publicly decried the bill. Waters singled out a provision that would give large as well as small banks what she called a "hall pass" from key safety standards as long as they maintain a 10 percent capital ratio. That threshold, Waters noted, is far weaker than credible financial experts have proposed.

Federal Reserve Board Governor Daniel Tarullo spelled out the problem in more detail. Because Hensarling's plan measures loss-absorbing capital as a percentage of all assets regardless of risk, Tarullo explained, banks "would be incentivized to move toward much riskier assets" in the knowledge that their capital requirements wouldn't be affected.

In addition to opposing the Hensarling bill, AFR has continued to fight the Congressional majority's efforts to add financial deregulation riders to a budget bill. In a June 22nd letter, AFR enumerated and analyzed some of the many riders (including elements of Hensarling's plan) that had been tacked on to a major agency appropriations bill. The White House also condemned the measure, adding that the President was prepared to veto it if necessary.

The Financial Services Committee took up the Hensarling bill at the beginning of September, just as the Wells Fargo revelations broke. "Why anyone would want to push legislation to deregulate Wall Street at a time like this is beyond me," said ranking member Maxine Waters before the committee went ahead and approved the measure. The vote was 30-26, with one Republican, Bruce Polloquin of Maine, joining all 25 Democrats present in opposition.

Fifth-birthday bash for the CFPB

On July 21, the Consumer Financial Protection Bureau turned five years old. In a joint statement, AFR and 25 allied organizations celebrated the bureau's accomplishments. The AFR coalition also marked the occasion by hosting a breakfast event at the downtown Washington offices of the National Council of La Raza (NCLR). The event featured a short video with Senator Elizabeth Warren recalling the fight to create the CFPB and celebrating its accomplishments, and an Oprah-style Q-and-A session with Lisa Donner of AFR and Ed Mierzwinkski of US PIRG posing questions about arbitration, debt collection, mortgage servicing, and the CFPB complaint system, among other issues, to CFPB Director Richard Cordray.

A number of news stories that birthday week cited a new bipartisan poll, jointly commissioned by AFR and the Center for Responsible Lending (CRL). The poll (see below) demonstrated overwhelming popular support for strong regulation of financial products and services in general, and for the mission and work of the CFPB in particular.

Senator Elizabeth Warren wishes the CFPB a Happy Birthday

Even after the worst financial crisis in generations, very few insiders thought it was possible to overcome the full force of the banking lobby and all their friends in Congress and create an agency that would work on behalf of working families. But we did it. Thanks to Americans for Financial Reform and the many, many consumer and civil rights and labor and senior and community organizations… we did it."

– Senator Elizabeth Warren

Wide public support for financial reform

For the fifth year running, AFR and the Center for Responsible Lending commissioned a national voter survey. Conducted in June by Lake Research Partners and Chesapeake Beach Consulting, the survey showed strong bipartisan support for financial reform. 96% of Democrats and 89% of Republicans said they regard financial regulation as important.

Other key findings:

- Three out of four voters support tougher rules against the kind of reckless practices that caused the financial crisis; only 12 percent believe that Wall Street's behavior has already changed enough.
- Nearly 60 percent of Americans regard Wall Street as a threat to the economy; only 25 percent believe that financial regulation poses a threat to innovation or economic growth.
- Seven out of ten voters (71%) approve of the Consumer Financial Protection Bureau (CFPB) after hearing a description of its purpose. Eight out of ten Democrats (81%) and nearly six in ten Republicans (59%) regard the CFPB favorably.
- Majorities of Americans across party lines (70 percent of Democrats, 52 percent of Republicans, and 69 percent of Independents) approve of the CFPB's efforts to restore the ability of financial consumers to band together in lawsuits against banks and lenders that engage in wrongdoing.
- While many Americans have not heard of the CFPB, those who have are overwhelmingly inclined to regard it in a positive rather than a negative light. The margins are 42 to 9 percent for Democrats, 32 to 14 percent for Republicans, and 38 to 11 percent for Independents.

AFR in the News (selected coverage)

- There are real reasons to bring back Glass-Steagall I The Hill (Marcus Stanley)
- The best-paid hedge fund managers made $13 billion last year I RealBankReform (Alexis Goldstein)
- 'Rip-off clauses' let Wall Street steal from consumers I The Hill (Lisa Gilbert and Lisa Donner)
- How to Make Sure Bad Bankers are Held Accountable I American Banker (Marcus Stanley)
- Why Wells Got Away With It for So Long I The Hill (Robert Weissman and Lisa Donner)
- What Should be Done to Stop Banks Like Wells Fargo from Scamming Us? Medium.com (Brian Simmonds Marshall and Alexis Goldstein)
- Wells Fargo Execs Should Not Profit from Company's Misdeeds I RealBankReform
- Grassroots Activists, Elizabeth Warren Put Wells Fargo CEO on Hot Seat I LA Progressive
- Wells Fargo scandal hurts Wall Street's bonuses battle I Bloomberg
- Elizabeth Warren wants Wells Fargo CEO 'held accountable' I Charlotte Observer
- Private Equity Tries to Chip Away at Dodd-Frank With House Bill I NY Times
- How Predatory Payday Lenders Plot to Fight Government Regulation I Vice
- Introducing the new sheriff of Wall Street I Financial Times
- Crunch time on Wall Street rules for SEC I The Hill
- Sanders wants Clinton to break up big banks. Will she? | CNN Money
- Industry Slams Exec Pay Proposal, Others Call for More | Bloomberg
- Sanders, Warren Target Big Banks in DNC Keynote Addresses | American Banker
- Voters can stomach more financial regulation I Philadelphia Tribune
- New U.S. bill to tax financial trading brings campaign issue to the fore I Reuters
- While Dems Protested for Gun Control, GOP Stood up for Financial Advisers I Slate
- ITT Students Should Take Money and Run, Experts Say I NBCNews.com